

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC., INTER-COUNTY ENERGY)	
COOPERATIVE CORPORATION, NOLIN RURAL)	CASE NO.
ELECTRIC COOPERATIVE CORPORATION, AND SALT)	2004-00330
RIVER ELECTRIC COOPERATIVE CORPORATION,)	
FOR AUTHORITY TO IMPLEMENT A FIXED BILL PILOT)	
PROGRAM)	

COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST TO
EAST KENTUCKY POWER COOPERATIVE, INC.,
INTER-COUNTY ENERGY COOPERATIVE CORPORATION,
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, AND
SALT RIVER ELECTRIC COOPERATIVE CORPORATION

East Kentucky Power Cooperative, Inc. ("East Kentucky"), Inter-County Energy Cooperative Corporation, Nolin Rural Electric Cooperative Corporation, and Salt River Electric Cooperative Corporation (collectively "the Joint Applicants") are requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due by October 14, 2004. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested

herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Concerning the general applicability of a fixed bill program:

a. Explain in detail why a fixed bill program is a necessary customer option when budget billing plans are already available.

b. Identify and explain the advantages and disadvantages of a fixed bill program versus a budget billing plan. Address the advantages and disadvantages from the perspective of both the utilities and the customers.

c. Describe the controls or other mechanisms in place in the proposed fixed bill program that would minimize the risk that the usage was set too high or too low for each participant.

2. Refer to Item 3 of the response to the Commission Staff's September 24, 2004 data request ("Staff's initial request").

a. Explain whether a fixed bill customer who asks to revert back to the standard tariff during the pilot year will be charged the same as a customer who is reverted back to general service due to non-compliance with the fixed bill rules.

b. Explain why details of the charges to customers who revert back to the standard service is not set out in the proposed retail fixed bill tariffs.

3. Refer to Item 4 of the response to the Staff's initial request. Explain whether or not a customer who can foresee that a change in circumstance will increase his usage above the 30 percent threshold will have an opportunity to revert to standard service without penalty. If no, explain why.

4. Refer to Item 5(a) of the response to the Staff's initial request. Will East Kentucky be paying all the costs of the pilot program? If no, list all costs East Kentucky will not be paying and explain who will be paying those costs.

5. Refer to Item 6 of the response to the Staff's initial request. Explain how the Joint Applicants decided that a second year renewal rate of at least 70 percent will be considered favorable. Specifically, what is the source of the 70 percent?

6. Refer to Item 7 of the response to the Staff's initial request, which notes that unplanned outages as referenced in the request "have been extremely rare." Even though such outages are rare, in the event of an extended outage such as the 2003 ice storm, is it the Joint Applicants' position that fixed bill customers would see no impact from the resulting reduction in energy use until the following year of the program? Explain the response.

7. Refer to Item 8 of the response to the Staff's initial request, which states that if customers have 24 months of data, or 36 months of data, this is the amount of data that will be used.

a. Provide references to the Joint Application that specifically state that if a customer has 24 months of billing data or 36 months of billing data, that this information would be utilized to determine the customer's fixed bill.

b. Will every customer's bill be based upon that customer's number of months of data? If yes, explain why it is reasonable for a customer's fixed bill amount to be derived differently solely because the customer has been at a particular residence for a different length of time than another customer has been at their place of residence.

c. Provide a definition and/or explanation for the phrase “acceptable explanatory power” as it is used in the response.

8. Refer to Item 9 of the response to the Staff’s initial request. Provide the names of the several companies with fixed bill programs that have utilized the practices referenced in the response.

9. Refer to Item 10 of the response to the Staff’s Initial request.

a. Neither the proposed change to the fuel adjustment clause (“FAC”) billing mechanism nor the environmental surcharge have been approved by the Commission. Explain in detail why the Joint Applicants believe it would be reasonable to include estimates reflecting the pending change in the FAC and the environmental surcharge in customers’ fixed bills.

b. Explain in detail why the Joint Applicants believe they can charge customers any environmental surcharge prior to its approval by the Commission.

c. Given that the proposed change to the FAC billing mechanism and the proposed environmental surcharge will impact the determination of the fixed bill, would the Joint Applicants agree that proposing the fixed bill pilot program at this time is premature? Explain the response.

10. Refer to Item 11 of the response to the Staff’s initial request, which indicates that only 384 customers are required for the pilot in order to have a sample with a 95 percent confidence level and a 5 percent error rate.

a. The response states that the incremental cost of having more participants in the program is low. Provide a more detailed discussion of the magnitude of this incremental cost.

b. Recognizing that 384 would be the minimum number of participants that would constitute a valid sample, and taking into consideration the response to part (a) of this request, explain how the Joint Applicants determined that 1,050 was the “right” number of participants for the pilot program.

11. Refer to Item 12 of the response to the Staff’s initial request. The request referenced the testimony of James C. Lamb, specifically the statement that “The implied response rate of 7% is a typical assumption, based on **our** inquiries at utilities that have offered fixed billing pilot programs previously.” (Emphasis added). The response indicates that the 7 percent response rate was not the result of East Kentucky’s inquiries at other utilities but was based on the recommendation of Jan Moore, who apparently is a consultant who has experience with utilities that have offered fixed bill programs.

a. Provide copies of correspondence, e-mails or other communications between any of the Joint Applicants and Mr. Moore regarding a 7 percent response rate.

b. Provide copies of correspondence, e-mails or other communications between any of the Joint Applicants and Mr. Moore regarding any aspect of the proposed fixed bill program.

12. Refer to the response to the Staff’s initial request, Item 13 and the response to the Attorney General’s September 14, 2004 data request (“AG’s initial request”), Items 24 and 35. In these responses, the Joint Applicants have declined to provide certain information which they contend is confidential. These responses violate 807 KAR 5:001, Section 7, part 5(a), which states no party to any proceeding shall fail

to respond to discovery by the Commission, its staff, or any other party, on the grounds of confidentiality. Provide the information originally requested for all three items. If necessary, the Joint Applicants should submit the information in compliance with the provisions of 807 KAR 5:001, Section 7.

13. Refer to Item 15 of the response to the Staff's initial request.. The Joint Applicants were requested to provide all assumptions, workpapers, and calculations used to determine the 1.6 and 2.1 percent risk factors. This supporting information was not provided for several of the components of the two risk factors. For each of the components listed below, provide the originally requested supporting information:

- a. East Kentucky's aggregate risk of 11.2 percent.
- b. East Kentucky's cost of money of 6.5 percent.
- c. East Kentucky's 73 percent of retail factor.
- d. The member system's aggregate risk of 8.5 percent.
- e. The member system's cost of money of 6.5 percent.

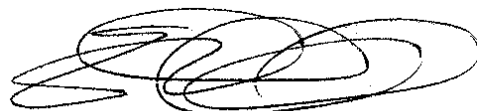
14. Refer to Item 18, page 2 of 4, of the response to the Staff's initial request, which indicates that the usage of customers participating in Gulf Power Company's ("Gulf Power") pilot "Flat Bill" program was approximately 8 percent greater than they predicted if they had not been in the program.

a. For any of the utilities cited in the application or responses to the Staff's initial request, which have similar programs, provide a summary schedule which shows whether the increase in their participants' usage was greater than or less than the increase of the Gulf Power participants.

b. In the schedule requested in part (a) above, show, in increments of 25 percent, how much the difference in the participants' usage varied from the 8 percent increase of Gulf Power's participants. For example, Utility A's participants' usage increase was between 0 and 25 percent less than that of Gulf Power's participants; or Utility B's participants' usage increase was between 25 and 50 percent more than that of Gulf Power's participants.

15. Refer to Item 14 of the response to the AG's initial request which states that member systems will discuss the reasons for the significant increase in consumption and consider whether the customer may continue in the pilot program if desired. Does this mean that there is the potential for a review of customers who are not complying? Is yes, provide an example of an instance when a customer would be allowed to continue in the pilot program if they so desire.

16. Refer to Item 20 of the response to the AG's initial request. Explain whether there will be an effort to gather usage data from the pilot years to evaluate the impact of a continued fixed bill service offering on East Kentucky's future peak demand. If yes, provide examples of how that data will be gathered and evaluated.



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DATED: October 4, 2004

cc: All Parties